

Remarks

Rosa M. Whitaker

Assistant U.S. Trade Representative for Africa

The Africa Trade Forum

January 13, 1999

Ambassador Samuels, Ambassadors Mogwe, Seck and Sempala, and friends of Africa. It was almost a year ago that I addressed this group as the first and newly selected Assistant United States Trade Representative for Africa. I remain very grateful to Ambassador Samuels and many of you in this room who strongly supported President Clinton's decision to create this position as well as an Office of African Affairs. In fact, it was Ambassador Samuels, along with Mike Williams, chief of staff to Congressman Jim McDermott, who first proposed the establishment of this position as a provision in the African Growth and Opportunity Act. It is therefore particularly appropriate that I join you today on the eve of my first year anniversary at the Office of the U.S. Trade Representative to discuss the Administration's progress and record over the past year in achieving key Africa trade policy objectives.

First let me say how honored I am to have a role in executing this new and innovative U.S. trade policy toward Africa. I have the full support of Ambassador Charlene Barshefsky, the first U.S. Trade Representative ever to promulgate an activist trade policy toward Africa. I am also supported by a very outstanding staff, which includes Vince Valle the Executive Director of my office and Jean Harmon, Sr. Economist.

I believe that I have one of the more challenging jobs in the Office of the U.S. Trade Representative. In addition to following USTR's traditional mandate of opening markets and furthering the U.S. trade agenda, my work also involves a very important development dimension. As many of you know, an integral part of the President's Partnership Initiative for Economic Growth and Opportunity in Africa, is to execute a trade and investment centered strategy to promote economic growth and sustainable development in the region.

Policy Overview

The U.S. trade policy toward sub-Saharan Africa, as embodied in President Clinton's Partnership Initiative, primarily includes four key policy objectives. These objectives include: support for economic reform; deeper U.S. economic engagement; full integration of the region into the multilateral trading system; and support for sustainable economic development.

A forward-looking trade policy with the countries of sub-Saharan Africa is in our national interest. It promotes U.S. commercial interests in the region and creates jobs in the United States and Africa. It also supports economic growth and raises living standards, which enable African countries to better address issues such as hunger, population growth, and environmental degradation. It also advances ongoing U.S. efforts to foster greater integration of global markets.

We view Africa as one of the world's great emerging economic opportunities. We also believe a sound policy framework in African countries that opens economies to private sector trade and investment offers the greatest potential for growth and poverty alleviation.

While much more remains to be done, I am pleased to report that a year-and-a-half after the President's Partnership Initiative was announced, and eleven months after the creation of this office, the Administration has made significant progress in meeting the policy objectives that I outlined. I would like to review our progress to date and look ahead to the challenges that we face in the coming year.

ECONOMIC REFORM

Our first key trade policy objective is to support economic reform. More than 30 sub-Saharan African countries have begun to implement economic reforms. These include liberalizing trade and investment regimes, rationalizing tariffs and exchange rates, ending subsidies, and reducing barriers to investment and stock market development. Economic reform is a proven route to stability and growth. And stable, growing African nations will become better markets for American exports.

In 1998, the Administration stepped up efforts to negotiate trade and investment agreements with African countries, not only to enhance U.S. trade with the region but also to promote further economic reform. In 1998, a Bilateral Tax Treaty with South Africa took effect and, in December, the U.S. Trade Representative and the Mozambican Minister of Foreign Affairs signed a Bilateral Investment Treaty (BIT) in Washington. BITs are market-opening agreements that protect U.S. investment abroad and ensure a predictable environment for investment guided by market forces. In addition, we are close to finalizing negotiation of Trade and Investment Framework Agreements (TIFAs) with South Africa, Ghana, and the West African Economic and Monetary Union (WAEMU). TIFAs provide a framework for identifying and working to remove impediments to trade and investment. All these agreements will also help to attract much needed investment to these countries and will enhance trade.

For many of the poorest African countries, heavy debt burdens impede growth and sustainable development. That is why the Administration has supported multilateral debt reduction for reforming African countries, by bilateral creditors in the Paris Club and, more recently, by all official creditors under the Highly Indebted Poor Countries Initiative (HIPC). In Fiscal Years 1997 and 1998, the United States joined other creditors under HIPC to provide commitments of over \$5 billion in debt relief for Uganda, Burkina Faso, Cote d'Ivoire, Mozambique, and Mali. In April 1998, Uganda qualified for final HIPC relief, reducing its debt to a sustainable level. President Clinton also supports total forgiveness of remaining U.S. concessional debt owed by eligible, strongly reforming African countries. In Fiscal Year 1999, this initiative will be financed

out of the \$33 million appropriated for debt relief activities in the President's budget.

The United States Agency for International Development (USAID) is now focusing more resources to promote private sector development and economic reform in sub-Saharan Africa. In Fiscal year 1998, USAID initiated its Africa Trade and Investment Policy (ATRIP) program to provide training and technical support to reforming African countries so that they can develop institutional knowledge of and support for global market integration. The program helps African governments to improve the legal and regulatory framework affecting trade and investment activities in the areas of contract law, trade regulations, and taxation. In addition, USAID is providing up to \$25 million per year to support private sector and trade related activities in Southern Africa; up to \$1 million per year to foster relationships between U.S. and African firms through business associations and networks; and up to \$5 million a year to fund short-term technical assistance programs to assist African governments to liberalize trade regimes and promote exports.

In the agricultural sector, USAID will administer up to \$15 million annually for agricultural market development and liberalization in Africa. At the same time, the U.S. Department of Agriculture (USDA) is focusing a greater share of its commodity assistance and other aid programs on reforming African countries.

U.S. Government assistance has also played a major role in developing non-traditional products for export in such countries as Ghana, Malawi, and Zambia.

U.S. support for economic reform also includes support for regional economic integration in Africa because it serves as a catalyst for liberalization and economic growth. By creating larger, harmonized markets, integration enhances competitiveness and efficiency, thereby helping to spur investment. USAID, through its three regional offices in West, Southern, and East Africa, is supporting integration by funding several activities to reduce the constraints to cross-border trade and promote liberalized and harmonized trade.

In addition, in June 1998, the U.S. Trade Representative announced that eligible members of the West African Economic and Monetary Union (WAEMU), the Southern African Development Community (SADC), and the Tripartite Commission for East African Cooperation (EAC) could combine their value-added contributions to products exported to the U.S. in order to meet GSP rule-of-origin requirements. This will encourage eligible countries to use inputs from their neighbors, thereby promoting intra-regional trade and investment. Regional TIFAs, such as the one I mentioned earlier that we are embarking on with UEMOA will also be used as a mechanism to support regional integration efforts in Africa. The U.S. Department of Transportation's new Safe Skies Africa Initiative will also help to improve regional air navigation services, in addition to providing technical assistance and support to increase the number of SSA countries that meet International Civil Aviation Organization (ICAO) safety standards from the current three to eleven.

In November 1998, Secretary Slater announced the first 8 participants in the Safe Skies Initiative: Angola, Cape Verde, Cameroon, Cote d' Ivoire, Mali, Tanzania, Zimbabwe and Kenya.

ENHANCED U.S. ENGAGEMENT WITH AFRICA

Enhanced economic engagement with Africa is the second of our key trade policy objectives with Africa. In 1998, the Administration significantly enhanced economic dialogue and developed initiatives to expand U.S. trade and investment ties with the region. Symbolically and substantively, President and Mrs. Clinton's historic trip to the continent in March 1998 transformed U.S. relations with Africa. The visit highlighted the region's progress and opportunities as well as U.S. support for the economic transformation underway in the region.

Since the President's trip, Treasury Secretary Rubin, Commerce Secretary Daley, Transportation Secretary Slater, Deputy commerce Secretary Mallet, the President of the Trade Development Agency, the Chair and Vice Chair of the Export-Import Bank, and other senior Administration officials have visited the region to further initiatives developed during the President's visit. Never before have so many U.S. cabinet officials visited the region to engage and consult with African public and private leaders.

In August of last year, the U.S.-South Africa Binational Commission (BNC) led by Vice President Gore and Deputy President Mbeki met to advance U.S. - South Africa mutual trade interests. In the first quarter of this year, the United States will host a ministerial level meeting with broad participation by sub-Saharan countries. This meeting will institutionalize a dialogue between the United States and Africa on a broad range of issues. It will be followed by the U.S.-Africa Economic Cooperation Forum that will be launched later in 1999.

At USTR, for the first time ever, we have a U.S. Trade Representative that is strongly engaged with Africa. Ambassador Barshefsky has met with African leaders in international forums as well as with African Ambassadors here in Washington. She challenges me every day to further our trade policy objectives with Africa and to accelerate African integration into the world trading system. Ambassador Barshefsky is also one of the Administration's strongest advocates on behalf of the African Growth and Opportunity Act. During her tenure at USTR, she has created the first-ever Office of African Affairs, proposed the first Trade and Investment Framework Agreements ever negotiated with sub-Saharan Africa, and signed the first Bilateral Investment Treaty with an African country in many years.

In mid-1997, Ambassador Barshefsky also enhanced the Generalized System of Preferences (GSP) Program by adding 1,783 new tariff lines for least developed countries, 29 of which are in Africa. Following the inclusion of these new tariff lines, the dollar value of sub-Saharan Africa's exports under GSP increased by nearly fivefold in the first six months of 1998 compared with the same period in 1997.

The Department of Commerce continued its strong record of active economic engagement with

Africa throughout 1998 and pursued an aggressive trade promotion strategy there. Secretary Daley visited the continent three times. The Export-Import Bank increased its activities in Africa, authorizing \$49 million in medium- and long-term financing in support of U.S. exports to the continent. EXIM also established an Africa Advisory Committee to explore ways of financing increased exports to new markets in Africa. And in September of last year, EXIM expanded its ability to do business in five West African countries: Cameroon, Cape Verde, Gabon, the Gambia, and Senegal.

The Overseas Private Investment Corporation (OPIC) is playing an instrumental role in promoting U.S. investment in African countries. Currently, OPIC is providing \$1 billion in insurance and financing to 50 projects in 20 sub-Saharan African countries. Since the start of the President's Partnership Initiative, OPIC has executed nine new bilateral agreements. Through its investment funds, OPIC is also helping to expand U.S. investment in Africa's infrastructure. During the President's mission to Africa, OPIC announced a call for proposals to support one or more private equity funds with aggregate capital of up to \$500 million to be invested in privately sponsored infrastructure projects in countries of sub-Saharan Africa. This new initiative follows on the heels of two additional funds targeting projects in Africa. In late 1997, OPIC launched the \$150 million Modern Africa Growth and Investment Fund; this fund is currently capitalized at \$90 million and the final date for full capitalization is March 1999. Another \$120 million New Africa Opportunity Fund, launched in 1996, is now fully capitalized and investing in Southern Africa.

The Trade and Development Agency (TDA) promotes U.S. exports by providing support for project development in the form of feasibility studies and orientation visits. In Fiscal Year 1998, TDA programs in Africa totaled \$3.9 million and included 12 feasibility studies in six countries, eight orientation visits for buyers from over 22 countries, and nine technical assistance grants in four countries.

Anecdotal evidence also suggests that more U.S. business leaders have demonstrated an interest in trade and investment opportunities in the region. For example, in 1998 the CEO of The Limited, a U.S. retail outlet, visited Africa for the first time. Impressed by what he saw, the Limited announced investments in Mauritius and Madagascar. Madagascar is now supplying all of certain apparel lines sold in The Limited Too stores in the United States for the first time ever. Now this African apparel represents only a minute share of the apparel sold in the United States. Its importation into this country is not costing us jobs. But the production and sale of that apparel is making a huge difference in Madagascar. It is creating jobs, transforming villages, and empowering women. It's empowering families to educate girls as well as boys. It's transforming villages. And it is encouraging Madagascar's further reform and participation in the world economy.

In 1997, total trade with SSA increased to a record high for the third consecutive year to about \$22.0 billion. During the first six months of 1998, U.S. exports to SSA increased by 5 percent over the comparable period last year, while imports from SSA decreased by 11 percent. As I mentioned earlier, SSA imports under the GSP program in the first six months of 1998, however, increased nearly five-fold by value over the comparable period in 1997. In 1997 U.S. direct investment in the region more than quadrupled to \$3.8 billion.

SUPPORT FOR AFRICA'S FULL INTEGRATION INTO THE MULTILATERAL TRADING SYSTEM

The Administration strongly supports African efforts to become full participants in the multilateral trading system. Thirty-eight sub-Saharan African nations are now World Trade Organization (WTO) members. WTO membership is critical for countries to expand exports, attract investment, and raise growth rates. But membership also allows countries to participate in decisions about the system's future developments. African contributions to the WTO's agenda are crucial since the organization will soon begin a new work program which holds immense promise for Africa. As host of the next WTO Ministerial scheduled for late 1999, the United States invites strong participation from African countries.

In the near-term, Africa faces an immense challenge to develop the financial and institutional capacity to fully implement WTO obligations. USAID and USTR, working with USDA, are developing a series of national and regional workshops designed to develop a core of WTO expertise in Africa and to help African countries better understand the WTO and the potential benefits that will result from additional commitments. The first two workshops were held last month in Zambia and South Africa. More workshops, targeted at both public and private sector officials, will be held in 1999.

In 1999, the Administration plans to make greater use of the Internet as part of our efforts to assist African countries. In a project funded by USAID and managed by USTR and the Department of State, the Administration will establish an Internet site designed to provide information on international trade issues of interest to African countries, including on specific programs such as the U.S. GSP program.

SUSTAINABLE DEVELOPMENT

Development assistance is also needed to maximize the benefits resulting from economic reform. That is why the President has asked that assistance to Africa be restored to its historically high level. Our approach is not one of trade versus aid but one in which development assistance will complement our trade policy with Africa. Sustainable development also means supporting democratic reform, the rule of law, and core labor standards. Political and economic freedom go hand in hand; stable democratic institutions, an impartial judicial system, and respect for worker and human rights create the conditions which make long-term economic growth possible. And stronger economies, in turn, foster conditions that are conducive to greater freedom and democracy.

Among other areas, the Administration's development assistance program in Africa includes strong support for education, health, food security, good governance, transparency and microenterprise development. The U.S. has also developed a number of initiatives to support infrastructure development in the region. Several USG agencies are supporting this effort. For example, during President Clinton's trip to Africa, Secretary Slater signed a \$67 million loan guarantee to help Ghana meet her energy needs. The Administration also continues to support the LeLand Initiative to extend full Internet connectivity to 20 or more African countries. As mentioned earlier we are

finalized plans to launch the up to \$500 million SSA infrastructure fund.

African Growth and Opportunity Act

The Administration's top priority in 1999 is to work with the 106th Congress to ensure passage of the African Growth and Opportunity Act. As many of you know, this bipartisan bill was passed by the House last year and marked up by the Senate Finance Committee but narrowly missed being sent to the Senate floor for a vote. We are optimistic that the bill will be passed this year. The President's Partnership Initiative includes many key provisions of this legislation.

But, for several reasons, passage of the bill remains crucial. First, the bill is needed to expand the trade opportunities for reforming African countries. By extending to the reformers duty-free access for certain products now statutorily excluded under GSP, and for the 1,783 tariff lines now available only to the least developed beneficiary developing countries, the bill will stimulate the growth of the African private sector and provide incentives for further reform. Second, passage of the bill will have strong symbolic significance and send a clear message to African countries and to potential U.S. investors that the United States is committed to a strong economic partnership with Africa, buttressed by strong trade and investment ties. Third, the legislation will codify our new approach to working with Africa. Through passage of the bill, Congress will ensure that our trade and investment strategy towards Africa is a long-term and enduring policy.

I also strongly believe that the African Growth and Opportunity Act will give much-needed stimulus to a bipartisan Congressional consensus on trade. And if ever we needed a bipartisan trade victory, we need one now. That's what we hope to deliver this year with the African Growth and Opportunity Act.

The Africa bill is certainly not perfect but it will provide a framework on which we can build and develop a meaningful economic relationship with Africa. While I am sensitive to the concerns and support the goals of those who want even stronger language in the bill to better ensure democracy, human rights, and environmental protection in sub-Saharan Africa, it must also be understood that the Africa trade bill cannot be a vehicle nor a solution to resolve all the ills in the region. We should also remember that the worst abusers of human, political, and worker rights tend to be those countries with the most closed economies. Strong economies on the other hand provide a better foundation for other things such as higher and enforceable worker rights and environmental standards and higher and more equitable income distribution. Strong economies create additional wealth. Poor economies do not often have the wherewithal to address these critical issues.

The Administration looks forward to working with the Congress to ensure that the legislation is passed this year.

Challenges

Much work remains in 1999 and in the years to come to advance America's economic partnership with sub-Saharan Africa. This Administration is, however, optimistic about prospects for the future. In the few years since President Clinton took office, we have seen reform move ahead in Africa. U.S. engagement with the continent has increased to levels

unparalleled in history. We are not, however, where we want to be, but we are a long way from where we started.

Our policy challenges in 1999 will include identifying and executing additional mechanisms to work with African leaders to support economic reform. We will also seek more innovative ways to expand trade and investment with the region and to support Africa's regional and global economic integration. Our work on this front will not only support U.S. commercial interests and jobs, but also Africa's economic growth and opportunities.

We will have to move with a new sense of urgency if we are to sustain the region's confidence in the global economic system. In fact we will have to do much to broaden momentum and support for trade among African and American people. The best way to expand and ensure support for our trade agenda is to deliver for people and families on both sides of the Atlantic. If our trade agenda fails to deliver a better quality of life for both African and American people, both may resort to the protectionist policies of the past.

Conflict and wars also challenge our trade agenda. The wars in Sierra Leone, the Democratic Republic of the Congo, and Angola and the threat of war between Ethiopia and Eritrea, as well as armed conflicts elsewhere in the region continue to exact a heavy toll in terms of death, destruction, and human suffering and drain precious financial and governmental resources away from reform efforts and human resource development.

Instability drives away existing businesses and discourages new investment. The economies of the region, for the most part, are still isolated, small, and fragile. By virtually every social and economic indicator, sub-Saharan Africa has not performed as well as other developing regions.

These critical policy challenges facing sub-Saharan Africa should not obscure its great promise. Nor should they weaken our resolve to be engaged. The Administration's Africa trade policy represents a constructive and comprehensive American response to the challenges confronting the region as well as the progress that African people are making everyday in realizing their potential. Our new trade policy can help make a lasting difference but will require a long-term commitment to Africa. That is what we intend to do. Never in history has the U.S. experienced such a sense of urgency and possibility in our policy towards Africa. Let's seize the moment and stay the course.